

## Message Text

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P 252331Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW PRIORITY

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E.O. 11652: N/A

E Y E S O N L Y FOR USIA ASSISTANT DIRECTOR SHIRLEY FROM  
MALONE

SUBJECT - BUDGET SITUATION

1. INTIAL PROGRAM REVIEW MEETING HELD JULY 24. IN VIEW OF SEVERE INFLATIONARY PRESSURES, LARGELY UNFORESEEN, REVIEW GROUP RECOMMENDED OVERALL AGENCY REDUCTIONS OF DOLS 2.3 MILLION AND DEFERRALS OF DOLS 2.4 MILLION. THIS OF COURSE REPRESENTS CONSIDERABLE SHIFT FROM EARLIER OPTIMISTIC FORECASTS. ALL ELEMENTS ARE FACED WITH SUBSTANTIAL CUTS, TAKEN FROM 3 PERCENT CONTINGENCY LISTS, AND VIRTUALLY NO INCREASES WERE APPROVED. IEE DID BETTER THAN MOST, BUT THERE ARE SOME PROBLEM AREAS.

2. RESULTS FOR IEE WERE AS FOLLOWS:

A. NO RPT NO RPT NO PROGRAM INCREASES WERE APPROVED. WE WILL BE ABLE TO ABSORB COST OF CONTRACT LOCAL FOR MOSCOW WIRELESS FILE, AND WE ARE ASKING LEN TO ABSORB COST OF LOCAL ADMINISTRATIVE ASSISTANT IN WARSAW. OTHER REQUESTED PROGRAM INCREASES, FOR WHICH WE CANNOT RPT CANNOT ABSORB COSTS AND WHICH THEREFORE MUST BE ABANDONED ARE: (1) MOSCOW EXHIBITS  
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OFFICER POSITION; (2) CZECHOSLOVAK DIALOGUE; (3) ENGLISH

TEACHING SUPPORT FOR GDANSK AND KATOWICE; (4) BOOK COLLECTION FOR WARSAW AMERICAN CIVILIZATION CENTER (LEN MAY BE ABLE TO FUND SOME OF THIS); AND AREA-WIDE VTR PROGRAM (WE WILL NEGOTIATE WITH IMV).

B. ZAGREB RENOVATION DEFERRED. WILL BE RECONSIDERED IN OCTOBER.

C. PROGRAM REDUCTIONS, AMOUNTING TO DOLS 47,000, WERE TAKEN FROM FIRST THREE ITEMS ON OUR 3 PERCENT REDUCTION LIST:

(1) 24 PERCENT REDUCTION IN IMV/DSA; (2) TERMINATE SERBO-CROATIAN DIALOGUE; AND (3) CLOSE NOVI SAD.

3. WE WILL WISH TO DISCUSS IN PARTICULAR C(2) AND C(3) WITH YOU BY PHONE IN VIENNA. WE DO NOT BELIEVE WE SHOULD ATTEMPT TO FIND DOLS 17,000 FOR SERBO-CROATIAN DIALOGUE BY REPROGRAMMING, BUT WANT TO GIVE YOU OPPORTUNITY TO CONSIDER. WE HAVE NOT RPT NOT YET INFORMED CATHERMAN.

4. CLOSING NOVI SAD POSES BASIC PROBLEM. DOLS 17,000 REQUIRED TO KEEP IT OPEN CAN PROBABLY BE OBTAINED BY REPROGRAMMING, MOST LIKELY SOURCE BEING PORTION OF DOLS 75,000 EARMARKED FOR COMMERCIAL WINDOWS IN MOSCOW. QUESTION IS WHETHER WE WISH TO DO THIS OR TO ADHERE TO OUR ORIGINAL DECISION TO PLACE NOVI SAD IN THIRD PLACE ON OUR 3 PERCENT REDUCTION LIST AND HENCE TO ACCEPT CLOSING THIS INSTALLATION. WE ARE SUPPOSED TO INFORM IOA BY AUGUST 2 IF WE WISH TO REPROGRAM TO SAVE NOVI SAD.

5. FURTHER CUTS ARE EXPECTED FROM AGENCY BUDGET AT OCTOBER PROGRAM REVIEW. THESE ARE LIKELY TO COME FROM ITEMS PRESENTLY CLASSIFIED AS DEFERRED, AND FOR IEE MAY MEAN DISAPPROVAL OF ZAGREB RENOVATION. OTHERWISE, FROM PRESENT VANTAGE POINT WE FORESEE NO IEE CUTS BEYOND THOSE MADE JULY 24.  
INGERSOLL

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